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- (1) In first Diet interpellations in Lower House, Abe presents "safe

driver" replies on history, Yasukuni issues, sealing off criticism of China, South Korea

MAINICHI (Page 2) (Excerpts)
October 3, 2006

"We always hold the door open to summit meetings with China and South Korea. To realize summits, both sides have to make efforts." In a House of Representatives plenary session on Oct. 2, Prime Minister Abe reiterated the need for both sides' efforts to improve strained ties with China and South Korea. In reference to the Yasukuni Shrine issue, too, he sealed off (former Prime Minister Koizumi's) criticism of China and South Korea that "it is strange for them to refuse meetings over a single issue," only saying, "I will not make public whether I will go to the shrine."

On historical views, Abe admitted Japan's "colonial rule and aggression" but he stopped short of touching on "the apology and remorse" expressed in the statement issued by Prime Minister Tomiichi Murayama in 1995. His remark, though, take a step forward from the government's conventional vague explanation that it "honors the spirit" of the statement.

Prime Minister Abe devoted himself to offering safe-driver replies on such delicate issues as Yasukuni Shrine and historical views. Such a stance reflects the fact that although arrangements have been made for him to visit China and South Korea, on the international stage negotiations are still going on, with the Yasukuni issue focused on. Whenever former Prime Minister Junichiro Koizumi was asked about the Yasukuni issue in the Diet, his criticism of these two countries became more radical. Keeping this in mind, Abe seems to have judged it unwise to irritate them.

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On the question of the responsibility of Class-A war criminals, Prime Minister Abe replied, "It is not appropriate for the government to make a specific judgment."

China cites the enshrinement of the souls of Class-A war criminals along with the war dead as the main reason for its reaction to the prime minister's visits to the shrine. But Abe replied in the Diet when he was chief cabinet secretary: "They are not criminals in Japan." He made the remark probably keeping in mind the fact that Class-A war criminals were released by 1956 and that a resolution calling for discharging war criminals was repeatedly submitted to the Diet in the 1950s. Abe avoided, in a sense, recognizing Class-A war criminals as war criminals.

In the upcoming meetings with Chinese President Hu Jintao and South Korean President Roh Moo Hyun, the focus of attention is how cleverly the prime minister will deal with the Yasukuni and history issues. Regarding the Yasukuni issue, Vice Foreign Minister Shotaro Yachi said in a press conference on Oct. 2 that the ministry has mapped out a scenario to obtain understanding from the Chinese government in preparation for the Oct. 8 summit meeting.

(2) Restart of Japan's relations with China and with South Korea
(Part 1): Good chance to repair soured ties

YOMIURI (Page 1) (Full)
October 5, 2006

"I would like to build future-oriented relations (with China and South Korea), so it will be a great achievement for the top leaders to meet and express their opinions," said Prime Minister Shinzo Abe, who has finally decided to visit China on Oct. 8 and South Korea the following day, to reporters last night at the Prime Minister's Official Residence (Kantei). He was enthusiastic about his first overseas tour as prime minister. He appears to be willing to repair Japan's ties with the two countries, which were strained by former Prime Minister Junichiro Koizumi's annual visits to the controversial Yasukuni Shrine. He also appears to be eager to boost the political base of his government by securing a steppingstone to rebuild Japan's Asia diplomacy.

It is the first time for a Japanese prime minister to visit Asia immediately after assuming office since Prime Minister Kiichi Miyazawa picked South Korea as the country for his first overseas tour in January 2002. It is also unprecedented for a prime minister to make an overseas trip to China only 13 days after assuming office.

Among prime ministers since the cabinet of Prime Minister Nobusuke Kishi, Abe's 13 days would be the third shortest period of time, following the seven days by former Prime Minister Tomiichi Murayama, who left for Italy to attend the annual G-7 summit, and the five days by former Prime Minister Tsutomu Hata, who took over the predecessor's overseas schedule.

Former Prime Minister Yasuhiro Nakasone has lauded Abe's quick decision made immediately after the inauguration of his administration. Nakasone visited Seoul soon after he assumed the prime minister's post in order to mend the bilateral relationship soured by economic frictions. In a bid to realize his trip to South Korea, his government conducted prior coordination behind the scenes, sending an envoy secretly to Seoul. He commented:

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"Political change is a good chance for shifting foreign policy. Feeling this way, both China and South Korea became positive about resuming summits with Abe. Therefore, Tokyo and Beijing and Tokyo and Seoul shared the same view. I think the summits will be successful."

The dominant view used to be that it would be difficult for Abe to rebuild diplomacy toward China and South Korea since he had supported Koizumi's visits to Yasukuni Shrine. Nakasone, however, said: "The Chinese government has now taken a positive stance of hearing Prime Minister Abe's views."

The fact that Japan, China and South Korea maintained close economic ties under the Koizumi government seems likely one reason to prompt the suspended summits between Japan and China and between Japan and South Korea.

Japan's total trade with China (including Hong Kong) increased from 12 trillion yen in 2000 to 25 trillion yen in 2005. China has been Japan's largest trade partner, surpassing the United States in 2004. Japan's trade value with China and South Korea accounts for 25% of its total trade value. Travel of people between Japan and China and between Japan and South Korea has increased to more than 4 million annually. Stabilization of political ties between Japan and China and between Japan and South Korea will directly link to benefits for both sides.

An increase in the importance of a multinational framework tightening the noose around North Korea, which has pushed ahead with brinkmanship by announcing that it will conduct a nuclear test, is a major reason why China and South Korea have decided to repair their ties with Japan.

The upcoming summits alone will not be able to mend the once strained relations.

At the Japan-China summit held in October 2001 after Koizumi had visited Yasukuni Shrine for the first time as prime minister, the top leaders agreed to improve the bilateral relations, but "the reconciliation" did not last long.

Akihiko Tanaka, professor at graduate school of the University of Tokyo, commented:

"Under the Koizumi government, talking about the Yasukuni issue became the same as talking about relations between Japan and China and between Japan and South Korea. It will be good if the suspended mutual summit visits are resumed."

Abe's diplomatic skills will be tested in the upcoming tour. It remains to be seen whether he will be able to link this opportunity to a resumption of the protocol of mutual visits by the top leaders

of Japan and China and the top leaders of Japan and South Korea.

(3) Interview with Chief Cabinet Secretary Yasuhisa Shiozaki: Japan should regularly hold meetings with China, South Korea

YOMIURI (Page 4) (Full)
October 5, 2006

-- What is the point of the upcoming summits between Japan and China and between Japan and South Korea?

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Both sides agreed on the need to overcome their respective political difficulties and try to find common ground so that each nation will be able to accept the other side's views while respecting its people's feelings, position, and way of thinking. We should not be overjoyed with the leaders meeting only once. The question is how to regularize it. It is important for the leaders to meet on a regular basis and discuss issues on which both have different views. It is what protocol requires (for the prime minister to invite the two leaders to Japan during the summits). The prime minister's view (on the prime minister's annual visit to Yasukuni Shrine) is totally consistent.

-- Are you going to visit Yasukuni Shrine while in office as chief cabinet secretary?

The question of whether one goes to Yasukuni Shrine or not is a matter of faith or a matter of the heart. Meanwhile, I am in the post of chief cabinet secretary, and I also need to keep this in mind. Upon fully considering these two matters, I will reach a judgment in a proper way.

-- What is the aim of strengthening the functions of the Kantei?

There is a judgment that must be made at the best time, and it will take time if coordination is carried out among government agencies. A sharply increasing number of issues now require the prime minister's decision. The role of the special advisors is to help the prime minister make appropriate judgments and offer the best advice to him. We don't aim to go up against the bureaucracy by our strengthening the functions of the Kantei.

-- Why is the government planning to study possible cases for collective self-defense?

The ongoing changes in the global security situation require the proper functioning of the Japan-US alliance. In order to make the Japan-US alliance useful for the world and Asia, it is necessary to discuss cool-headedly whether the Cabinet Legislation Bureau's interpretation that "although Japan has the right to collective self-defense, it is not allowed to use it" is applicable under any circumstances. In short, the purpose is to have the Japan-US alliance function properly. Although we have cleared up each case under the right of individual self-defense, there might be something that can be done under the category of collective self-defense. On this issue, we need to conduct discussion coolly. We are going to proceed with the discussion within the framework of the Constitution, and the discussion will never deviate from the spirit of the Constitution.

-- What themes will be discussed at the education revitalization conference to be set up shortly?

Now that education power at schools, in local communities, and at home is significantly declining, I expect wide-ranging topics to be discussed, focusing on how to build a nation in which strong-minded persons will be created once again."

-- What determination do you have in addressing the abduction issue as the cabinet minister in charge of the issue?

Based on the principle that "there will be no normalization of diplomatic ties with North Korea without a resolution of the abduction issue," we will continue to ask the North to send

abduction victims back to Japan immediately, reveal the truth, and to hand the perpetrators over to Japan. We must make utmost efforts to resolve (the abduction issue) at the United Nations Human Rights Committee, the six-party talks, and on other occasions, along with the issue of North Korea's denuclearization.

(4) Expert views on North Korea's nuclear-testing announcement

NIHON KEIZAI (Page 3) (Full)
October 4, 2006

Pyongyang probes China, South Korea, Russia for reactions: Masao Okonogi, professor at Keio University

The timing of North Korea's nuclear-testing statement is probably because Pyongyang deemed it difficult for the United States to deal with the issue of North Korea's nuclear ambitions while the United Nations Security Council's permanent members are in the midst of talks over the issue of Iran's nuclear programs. North Korea has said that country would return to the six-party talks if the United States calls off its financial sanctions. This is what North Korea aimed at, I think.

In a sense, the statement might be intended to test the other countries participating in the six-party talks. China, South Korea, and Russia will be prodded to clarify whether they will tune in to Japan and the United States or whether they will give first consideration to maintaining the status quo. North Korea's collapse due to tougher sanctions would cause China and South Korea the most trouble. Both China and South Korea will probably make desperate efforts to persuade North Korea in trying to stop it from carrying out a nuclear weapons test. North Korea might think this approach might easily get the sanctions removed.

North Korea probably wants to obtain diplomatic clues by threatening to carry out nuclear tests and then waiting to see how other countries will respond. If North Korea fails to get the sanctions called off, the North is highly likely to carry out a nuclear test. It is aware of a country like Israel that carried out nuclear tests and continued to extract plutonium after that. Israel in the end had to be acknowledged as a nuclear power. It's not strange to see North Korea aiming at the same.

North Korea prepared for nuclear testing: Tatsujiro Suzuki, visiting professor at Graduate School of Public Policy, University of Tokyo

There are many mountains in North Korea. Judging from this geological feature, North Korea is highly likely to choose to carry out an underground nuclear test like Pakistan. That means tunneling deep into the mountains and detonating the bomb there. Its risk is high, when compared with digging a deep hole under the ground. If they should fail in that nuclear test, radioactive substances may flow into the air. However, North Korea would take every possible measure in order to prevent its land from being contaminated.

If they carry out a nuclear test, it's possible to pick it up right away with oscillatory waves. We can tell it from an earthquake. So if they say they carried out a nuclear test without doing it, we can check it out right away to see whether it's true or false.

A country that is in the process of nuclear testing proves that that it has certainly increased its nuclear capability. In nuclear testing, they need a set of three nuclear warheads: one for testing,

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another for actual use, and a spare. We can take it that North Korea has at least two sets or a total of six nuclear warheads. It's possible that their nuclear testing is also intended to advertise to the nuclear black market. It's the last card for North Korea to use.

(5) If nuclear test carried out, government plans to expand own

sanctions against North Korea to include ban on all North Korean ships from entering Japanese ports

YOMIURI (Top play) (Abridged)
October 5, 2006

The government yesterday firmed up its response plan in case North Korea carries out a nuclear weapons test. It will be centered on such measures as expanding the ban on port entries by North Korean ships already in place. At the same time, in order to bring the international community in line on applying sanctions against North Korea, the plan is to have the United Nations Security Council adopt a sanctions resolution based on Chapter 7 of the UN Charter that forms the base for such UN actions as economic sanctions.

Speaking about North Korea's nuclear testing in the Upper House plenary yesterday, Prime Minister Abe stressed: "It would be totally unacceptable. We will respond appropriately, linking with the United States, as well as with China, the Republic of Korea and other countries." If North Korea decides to go ahead with the nuclear test, , coming after the missile launches in July, the government will take it as a major crisis for its national security.

Under Japan's own sanctions, a measure to ban port entries by North Korean ships was introduced under the Law Banning Port Entries by Specified Vessels, under which the Mang Gyong Bong-92 has been prohibited entry, the plan is to subject other North Korean cargo vessels to the measure as well. On the issue of cargo ships from third countries that passed through North Korean ports, Japan is considering not allowing their entry in principle.

Already there are measures in place based on the foreign exchange and foreign trade laws targeting 15 companies and one individual that include North Korean trading firms placing a ban on remittances and capital transactions. The government intends to broaden the target list.

Under the import-export regulations, trade in approximately 70 items feared to be convertible for use in missiles or weapons of mass destruction have been restricted. If the North carries out a nuclear weapons test, the government is considering expanding the list of items subject to regulation to include farm and fisheries products, such as asahi clams and matsutake mushrooms -- both a main staple of North Korean exports.

(6) Iranian oil co. president: "Japan has lost its right to the Iran oil project"

TOKYO SHIMBUN (Page 1) (Full)
Evening, October 5, 2006

Takeshi Hamaguchi, Cairo

State-run National Iranian Oil Company President Gholam Nozari announced on Oct. 4 that Japan's Inpex Holdings Inc. has lost its rights to develop the Azadegan oilfield in the southwestern part of

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Iran since negotiations have ended in failure, according to information from Iran.

Japan in February 2004 won concession rights to develop the oilfield, which is estimated to have reserves of approximately 26 billion barrels of oil. However, construction work was delayed, affected by sharp rises in material costs and Iran's nuclear development program.

Once Japan loses the rights to develop the largest oil field in the Middle East, it will be pressed to revamp its energy resources-procurement strategy.

Iran's news agency quotes President Nozari as saying:

"Japan has lost an opportunity to develop the Azadegan oilfield. Although we discussed various options with Japan, both countries failed to find common ground."

A senior official at the Ministry of Economy, Trade and Industry indicated a willingness to continue negotiations with Iran, saying, "We have not heard that negotiations had ended. I believe negotiations will continue in the future."

With the aim of starting production in the Azadegan oilfield next June, the Iranian government had demanded that Japan start the project, setting the deadline at Sept. 15, and then at Sept. 30. Japan has put off the start of the project, citing skyrocketing material costs, and the state of insufficient removal of the landmines buried in the Iran-Iraq War in the 1980s.

In addition, under the situation in which the United States has indicated the possibility of imposing sanctions on Iran over its nuclear development program, Japan remained unable to push ahead with the project in that nation.

(7) Trend away from bid-rigging part 2: Ultimate preventive measures is to pull out of business

NIHON KEIZAI (Page 11) (Almost Full)
September 11, 2006

Daisuke Hatakake, president of Kubota, last October presented the then chief of the Environmental Engineering Business Department a paper stating, "The Environmental Engineering Business Department will be closed down immediately, if it again engages in bid-rigging."

Demand from government and public sectors on decline

The Fair Trade Commission (FTC) last August searched a dozen or so companies, including Kubota, over bid-rigging activities concerning the construction of human-waste and sludge treatment facilities. Hatakake mulled how bid-rigging can be rooted out from his company for two months and reached a conclusion, "If they cannot stop bid-rigging, they should withdraw from the business."

At that time, Kubota was faced with another serious challenge. It last June released the deaths of 79 employees including those of affiliated companies due to mesotheliomas believed to be caused by asbestos. It was of urgent necessity for the company to deal with patients who reside near the site in Amagasaki, Hyogo Prefecture, where its plant was previously located.

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Hatakake ordered an early resolution, noting: "If the problem becomes protracted as was the case with the lawsuit over the Minamata disease, both residents and the company would suffer." The company last December decided to compensate local residents who developed mesotheliomas, paying compensations on a level similar to that of compensations paid to employees. The residents' side highly evaluated the decision as a great step forward. However, Hatakake was not so proactive when it came to the bid-rigging issue.

Bid-rigging activities are apparently deep-rooted in Kubota. The FTC ordered his company to stop engaging in illegal practices in a number of public projects, including the construction of human waste and sludge treatment facilities, the delivery of vinyl chloride conduit pipes in a paddy field consolidation project in 1992 and sewage pump work in 2004.

Explaining the background of his decision to pull out of businesses in which his company carried out bid-rigging activities, Hatakake noted: "In 1999 the ratio of demand from the government and public sectors commanded 50% of sales, but such a ratio has now dropped below 20% even on a consolidated bases." Kubota's performance in the agricultural machines and construction equipment business abroad has been booming with its operating income resetting a new record high in the March 2006 term. Hatakake said, "Even if no demand comes from the government and public sectors, it will not affect our company's business performance." As a matter of fact, it announced this January a decision to pull out of the human waste and sludge treatment facilities business.

High potential litigation risk

Kubota is not the only company that has opted to pull out of businesses in question, which was apparently an ultimate measure to prevent bid-rigging. Ebara Corporation, Sumitomo Heavy Industries, JFE Engineering and Kurita Water Industries decided to stop taking orders for projects to construct human waste and sludge treatment facilities, occasioned by bid-rigging incidents. They reached that judgment because continuing the business would not be profitable enough to make up for potential risks due to a declining demand as a result of the dissemination of the sewer system.

Corporate managers can no longer afford to disregard potential risks involved in bid-rigging. Damage compensation claims in lawsuits filed by residents near project sites are increasingly drawing attention. Cases in which civic groups lodge a damage compensation claim against a company carrying out the concerned project, citing that the cost of the construction of an incinerator sponsored by a local government was illegally raised because of bid-rigging, are becoming visible.

Regarding bid-rigging over the construction of incinerators, the FTC in August 1999 ordered Hitachi Zosen Corporation, NKK (now JFE Engineering), Takuma, Mitsubishi Heavy Industries and Kawasaki Heavy Industries to end illegal trade practices. In lawsuits seeking bid-rigging damage compensation filed in Fukuoka City and Yokohama City the court of law handed down a decision in favor of the plaintiff, ordering the corporate side to pay a large amount of damage compensation.

There is another possibility of such companies becoming embroiled in shareholder suits for their management having failed to perform their duties. It is perhaps inevitable for top management to decide

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to pull out of business areas, if potential risks continue to increase there.

(8) Government to accept more US students as payback for Fulbright Grant Program

SANKEI (Page 9) (Full)
October 5, 2006

The Ministry of Economy, Trade and Industry (METI) and the Ministry of Education, Culture, Sports, Science and Technology (MEXT) have decided to accept 200 more US students and support them in landing jobs with Japanese companies. Though the initial plan targeted Asian students, they have decided to expand the countries eligible for the scheme to include the United States with the aim of correcting the imbalance between the numbers of Japanese students studying in the US and US students studying in Japan, thereby bringing capable US personnel into the Japanese economy. Another aim is to nurture pro-Japanese Americans so as to strengthen bilateral ties.

Under the scheme, METI and MEXT will newly establish education courses for foreign students that provide Japanese language courses and an internship system at universities all over the country. They will also ask companies to accept foreign interns in line with the program.

METI formulated a global economic strategy this spring, in which it proposed establishing an Asian Human Talent Fund Initiative (Ajia jinzai shikin) as an organization in charge of inviting Asian students, modeling the program after the Fulbright Scholarship Program in the US. Upon hearing of the plan, then Prime Minister Junichiro Koizumi proposed, "If it is the Japanese equivalent to the Fulbright Scholarship Program, would it be possible to accept US students, as well?" Following the proposal, a decision was made to invite US students in addition to 2,000 Asian students. METI and MEXT earmarked a total of approximately 6 billion yen in the fiscal 2007 budget.

Under the Fulbright Grant System intended for mutual exchanges of students between the US and other countries, more than 260,000

students from 150 nations have studied in the US, contributing to the nurturing of pro-American individuals and experts on the US. Between the US and Japan, approximately 6,000 Japanese students have studied in the US, and about 2,300 have studied in Japan.

In Japan, Fulbrighters have been highly evaluated as having contributed to postwar recovery and economic development as leaders of society. The new system Japan is envisaging is in a sense intended to repay the US for the Fulbright Grant Program. The number of Japanese students who went to the US to study there has reached 42,000, while US students who came to Japan to study totaled 1,600 -- a big gap. The government intends to encourage US students to come study in Japan.

DONOVAN